

TENNESSEE

Rural Development 2004 Annual Report



Committed to the future
of rural communities.



... “it’s the entrepreneurs here in America that take the risks and create the new jobs, do the hard work that’s helping our economy go forward.”

March 25, 2004

- GEORGE W. BUSH
PRESIDENT OF THE UNITED STATES

Since last summer, the American economy has grown at the fastest rate of any major industrialized nation. America’s economy has been growing at rates as fast as any in nearly 20 years. Nearly 1.9 million jobs have been created since August 2003 and the unemployment rate today is below the average unemployment rate of the 1970s, the 1980s, and the 1990s. Business loans to minorities increased by 40 percent in 2003. Homeownership reached an all-time high and mortgage rates reached their lowest level in decades.

A changing world can be a time of great opportunity for all Americans to earn a better living, have a rewarding career, and enjoy a fulfilling life. In these times of change, government must take the side of working families. Many of our most fundamental systems – the tax code, our health care system, worker training programs, and retirement plans – were created for the world of yesterday, not tomorrow. We must transform these systems so all Americans are equipped and prepared to realize the American Dream.

Today we are taking essential action to strengthen the American economy. We are helping workers who need more take-home pay. We’re helping small business owners looking to grow and to create more new jobs. We have taken aggressive action to strengthen the foundation of our economy so that every American who wants to work will be able to find a job.

Message from Gilbert Gonzalez Acting Under Secretary USDA Rural Development

Citizens and community leaders throughout rural America share a common desire to bring economic opportunity and an improved quality of life to their community.

We are committed to aggressively working to help families, communities and businesses build the basic community infrastructure, help create more local jobs and gain access to educational and health care services and technologies that allow them to be better prepared to compete in a global environment.

While we have accomplished much, we know that more must be done to assist more families, businesses, and communities to benefit from the financing and technical assistance USDA Rural Development provides. That is why I unveiled this year a new education and outreach effort designed to ensure everyone in rural areas know what assistance is available to help them achieve their economic goals and improve their quality of life. Simply put, USDA Rural Development is the sole government agency that can build rural communities from the ground up.



Message from Mary (Ruth) Tackett
Tennessee State Director
USDA Rural Development



It is my pleasure to present Tennessee's Fiscal Year 2004 Annual Report for USDA Rural Development. I am extremely pleased to announce our best year ever. Rural Development has assisted rural Tennesseans by providing over \$273 million in financial assistance. These funds were used to provide quality housing, good jobs, clean drinking water, plus reliable, modern, essential community facilities and services that have impacted over 384,000 rural residents across our state.

All of this was made possible because of the dedication and hard work of our Rural Development Team. Our staff is committed to the goal of making certain that the people of rural Tennessee have access to the economic opportunities and infrastructure development that is so vital to the future of our great state. Through their commitment, our team effectively delivers our programs to improve the well being of Rural Tennessee. They are truly *committed to the future of our rural communities.*

President George W. Bush stated, "We have great opportunities to work together to improve the quality of life for all the people of this hemisphere." Rural Development is committed to meeting the challenge of achieving the goals for Rural America set by President Bush. The President's objective and Rural Development's mission is to increase economic opportunity and improve the quality of life for Rural Tennesseans and for all of Rural America.

Rural Development continues to build partnerships among agencies, communities, and individuals. By building strong relationships with others, Rural Development has stretched its federal funding to complete more projects in rural areas. By sharing resources, we have achieved a larger funding capacity and accessed more expertise than would have otherwise been available.

I am looking forward to the coming year as we are dedicated to continuing our work to help rural communities share in the American dream. Finally, as we move forward, we must keep our focus on what's important – pursuing excellence and delivering results.

As you read this report, I hope you will recognize the integral role USDA Rural Development plays in Tennessee and also consider ways that we may be able to assist you.

A handwritten signature in black ink that reads "Mary Tackett".

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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202)720-5964 (voice or TDD). USDA Rural Development is an Equal Opportunity Lender, Provider, and Employer.

HOUSING PROGRAMS

The acquisition of safe and sanitary housing is the major emphasis of our housing programs. Housing Programs include the Single Family Housing (SFH) Program to buy, build, and repair homes, and the Multi-Family Housing (MFH) Program to assist with rental housing and apartment complexes.

Single Family Housing

Direct 502 Loans - Loans made to very-low and low income applicants. Repayment ability and loan payment is based on income.



Mrs. Mary Parker is standing in front of her new home along with her cousin, Ms. Freddie Austin, in rural Fayette County, Tennessee. Her new home has three bedrooms and two and one-half bathrooms. Mrs. Parker is the mother of eleven children, has twenty-three grandchildren, and ten great grandchildren. She was able to purchase her home with assistance from USDA Rural Development.

Guaranteed 502 Loans - Families with moderate income, but without funds for a downpayment can buy well-built, affordable housing with loans made by a local bank and guaranteed by Rural Development. Mortgages are a 30 year fixed rate at market interest rates and loans may be for up to 100% of appraised value or for the acquisition cost, whichever is less.



Audra Dies, a single parent of one, received a Rural Development guaranteed loan through First Cumberland Mortgage in Hartsville, TN. Through Rural Development's guaranteed program, Ms. Dies was able to purchase a newly renovated 1,300 square foot brick home with hardwood floors throughout on an approximate 1/2 acre lot with no down payment and no Private Mortgage Insurance (PMI).



Self-Help Housing - Grants are awarded to nonprofit and local government organizations that provide technical assistance. They, in turn, supervise groups of 6 to 10 families in constructing their homes using "sweat equity."

Direct 504 Loan and Grant - Loans are made at 1% interest to elderly and very-low income homeowners to repair or rehabilitate their property. Loans can be up to \$20,000 at 1 percent interest and may be repaid over a period of up to 20 years. Homeowners who are at least age 62 can receive home improvement grants of up to \$7,500 for essential repairs if they cannot afford a loan at the 1 percent interest rate.

Christine Brown, her daughter and great-grand child are standing in front of their newly repaired home in Atoka, Tipton County, TN. Rural Development partnered with Tennessee Housing Development Agency (THDA) to provide funding for Ms. Brown to make needed repairs to her home.



Multi-Family Housing



Rural Rental Housing (Direct/Guaranteed) - Provides decent, safe and affordable rental housing for very-low to moderate income rural Tennesseans. Our present portfolio consists of 385 complexes containing 13,042 units.

Housing Preservation Grants - Grants are provided to nonprofit organizations and government entities for renovating deteriorating homes occupied by families whose incomes fall into the low and very-low categories. The homes are refurbished to alleviate health and safety hazards while enhancing the appearance of the community.



Farm Labor Housing - Farm Labor Housing provides loans and grants for rental housing in rural areas for domestic farm laborers.

Loan/Grant	Amount	Families Served
Direct Loans	\$47.2 Million	556
Guaranteed Loans	\$119.2 Million	1,357
Repair Loans & Grants	\$1.9 Million	392
Rural Rental Housing	\$1.6 Million	165
Rural Rental Assistance	\$16 Million	1,292
Housing Preservation Grants	\$243,861	17
TOTAL	\$186 Million	3,779

BUSINESS-COOPERATIVE PROGRAMS

The goal of the Business-Cooperative Programs is to support the rural economy of Tennessee by providing financial and technical assistance in an effort to create and save quality jobs while protecting the environment. The assistance is provided to small and emerging businesses, lenders, cooperatives, intermediaries, public entities, and nonprofit organizations. Funding comes in the form of loan guarantees, revolving loan funds, and business development grants.

Business & Industry (B&I) Guaranteed Loans - The program allows a commercial lender to receive a guarantee up to 80% of the loan made. The guarantee encourages the lender to make larger loans while providing better rates and terms. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing.



***Tullahoma Industries** provides uniforms for the Department of Defense. Rural Development's guarantee allowed them to obtain financing through Citizens Community Bank to purchase their manufacturing facilities, and equipment as well as restructure the long-term debt of the company.*



***Olympic Metals** is a privately owned metal processing company that sells its steel product to appliance, shelving, mining, automotive, stainless steel, farm equipment and tool and dye manufactures. Rural Development's guarantee allowed them to obtain financing through SunTrust Bank for a 200-ton machine, known as 'big daddy', that will produce flat steel more effectively. The company expects to add two more shifts of 10 workers each within six months of obtaining the new machine.*

Rural Economic Development Loans and Grants (REDLG) - Loans and grants are made to Rural Utilities Service electric borrowers for the creation and retention of jobs in rural areas. Zero-interest loans are made to finance business startup ventures and business expansion projects. Grants are made to electric utilities to establish revolving loan programs operated at the local level by the utility.

*Rural Development funds allowed a zero-interest loan to Meriwether Lewis Electric Cooperative to assist **Perry County** in renovating a former 40,000+ square foot industrial building to provide adequate office and business development space for the area.*



Intermediary Relending Program (IRP) Loans - This program provides funding to intermediaries, who in turn, relend the funds to ultimate recipients for rural business activities. The intention of the program is to enhance small business development in rural communities.



Tennessee Business Development Corporation received a \$750,000 loan from Rural Development to provide small business development capital, which will inturn provide opportunities for the creation of jobs for Fayette, Lauderdale, Shelby and Tipton counties. Small businesses in these counties can apply for business start-up loans, expansion loans or loans to provide working capital.

Rural Business Opportunity Grants (RBOG) - Grant funds are provided for technical assistance, training and planning activities that improve economic conditions in rural areas.

Rural Business Enterprise Grants (RBEG) - Grant funds are used to finance and facilitate the development of small and emerging private business in rural communities. Eligible entities include public bodies, nonprofit organizations and federally recognized tribal groups.



The Fayette County Career Center received a \$57,500 business grant to update their computers and technology for their job training and adult education programs. In addition, expanded technical support will be provided.



Value-Added Agricultural Product Market Development (VADG) - The primary objective of the program is to assist eligible independent producers of agricultural commodities, agricultural producer groups, farmer and rancher cooperatives, and majority owned producer based business ventures to (1) develop business plans for viable marketing opportunities, and (2) develop strategies to create marketing opportunities.



Tennessee Farm Bureau Federation received a \$281,844 VADG to explore the value-added marketing opportunities for Tennessee cattle producers who adopt specific production protocols to improve carcass quality.

Loan/Grant	Amount	Jobs Created/Retained
Business/Industry Loans (Guaranteed)	\$22.5 Million	496
Rural Business Enterprise Grants (RBEG)	\$1.8 Million	750
Rural Business Opportunity Grants (RBOG)	\$199,769	20
Rural Economic Dev. Loans & Grants (REDLG)	\$450,000	14
Intermediary Relending Program (IRP) Loans	\$750,000	
Value-Added Agricultural Product Market Development	\$281,844	
TOTAL	\$26 Million	1280

COMMUNITY PROGRAMS

The quality of life in rural Tennessee is dependent upon the services provided to the residents. Community Programs plays a major role in providing basic infrastructure including water, wastewater and solid waste. Community Programs also administers loan and grant programs for electric, telecommunications and distance learning/telemedicine projects.



Direct Water and Waste Disposal Program – Funds may be used to extend new water and sewer lines to rural areas. In addition, funds can be used for rehabilitating or developing water and wastewater systems, including solid waste disposal and storm drainage.

*Rural Development provided **Watts Bar Utility District** a \$1,540,000 loan and a \$660,000 grant to extend water lines for residents in Roane and McMinn counties. This project will assist 281 new customers by providing them the opportunity to hook onto the Utility District lines for a safer water source.*

***Hallsdale Powell Utility District** received \$1.4 million to serve 30 new users in the Sharps Chapel area of Union County and allow future lines to 200 users who have unreliable and/or contaminated wells. \$891,600 was loan funds and the remaining \$549,400 was grant money. The funds were used to construct a 500,000 gallon water storage tank, a 500 gallons per minute water booster station and 2.5 miles of water main.*



Guaranteed Water and Wastewater Loans – Loans are made and serviced by lenders such as banks and savings and loan associations for the same purposes as the direct program. Guarantees are available for up to 90% of any loss of interest and principal on the loan.

Distance Learning/Telemedicine Program – This program is specifically designed to meet the educational and health care needs of rural Tennessee. Loan and grant funding is available to provide advanced learning and health care opportunities.

*The **University of Tennessee at Martin** received a \$499,999 grant to establish learning facilities in six public schools. These facilities will bring improved educational opportunities to students, provide professional development and administrative planning opportunities to teachers and administrators, and provide training, adult education and lifelong learning activities to rural residents in the areas of these facilities. Over 33,000 teachers and students will benefit from this initiative.*



Direct Community Facilities Loans and Grants – Loans and grants funded directly from Rural Development to public bodies, nonprofit corporations and federally recognized Native American tribes. Funds can be used for fire, rescue and other public safety services; health care, elder and child care; culture, education, transportation, energy transmission and municipal activities.



Four Lake Regional Industrial Development Authority received a \$2,015,000 Rural Development loan to assist in an Industrial Park development project. The Rural Development funds will be used to provide water, sewer and natural gas service to the industrial park. These improvements will attract more industry to the park and consequently more and better-paying jobs to the area. They broke ground on this project in October, 2004.



Guaranteed Community Facilities Loans – Loans are made and serviced by lenders such as banks and savings and loan associations for the same purposes as the direct program. Guarantees are available for up to 90% of any loss of interest and principal on the loan.



*Rural Development provided **Rural Life Foundation, Inc.** funding in the amount of \$125,800 for a guaranteed loan and grant combination to assist in the installation of a fire protection system for the Harbert Hills Academy Nursing Home in Savannah, TN. The guaranteed loan portion of the funding was provided by the Hardin County Bank. This equipment will increase safety for residents and also comply with the new State regulation for operation of nursing homes.*

Solid Waste Management Grants - Funding is aimed at reducing or eliminating pollution of water resources and improving planning and management of solid waste facilities. Public entities and nonprofit organizations are eligible to provide technical assistance in enhancing operations and maintenance, identifying threats to resources and reducing solid waste.

Loans/Grants	Amount	
Water/Waste Loans	\$33.4 Million	
Water/Waste Grants	\$14.2 Million	
CF Loans	\$11.7 Million	
CF Guaranteed Loans	\$1.0 Million	
CF Grants	\$489,750	
TOTAL	\$60.9 Million	

New Users Served - 1,860

Existing Users Served -136,363

RURAL DEVELOPMENT CONFERENCE



During the last nine years, USDA Rural Development, Tennessee Valley Authority (TVA), and the The College of Business Administration, Tennessee Technological University (TTU) have presented the Annual Rural Development Conference to thousands of participants at the spacious campus of Tennessee Tech University. Over 3,000 participants have attended the annual conference and its workshops over the years. The theme of this year's conference was "Revealing Your Community's Assets and Opportunities".



April 1, 2004 - This year's conference was a huge success with over 400 people in attendance. Mrs. Tackett revealed our new logo and tagline during her welcome to those attending the conference.



Mr. Bill Evans, President of the Institute of Professional Training, one of America's leading financial education companies located in Manchester, Washington, spoke at the luncheon and was very entertaining in his talk on, "There is no Traffic Jam on the Extra Mile".



10 concurrent Workshops on Community, Industrial, Business and Leadership Development ran throughout the day.

***The 10th Annual
Rural Development Conference
is scheduled for April 13-14, 2005.***

PARTNERS MATTER

Rural Development provided the **Tennessee Department of Agriculture** a \$100,000 grant to help build farm income through the state's agri-tourism initiative. This is the second \$100,000 Rural Development grant for the project. The first grant helped fund an inventory of more than 225 agri-tourism venues statewide. More than 300 individuals participated in training sessions on the management, promotion and profitability of agri-tourism businesses. This partnership consists of the Tennessee Department of Agriculture, Tennessee Department of Economic and Community Development, Tennessee Department of Tourist Development, University of Tennessee - Center for Profitable Agriculture, and Rural Development.



Tennessee **Rural Development** and **Tennessee Housing Development Agency (THDA)** agreed to partner in providing loans and grants to improve the housing conditions of very low income rural families. This partnership made available approximately \$2 million statewide for individuals to make improvements or remove health and safety hazards. The funds may also be used to remodel homes to make them accessible for persons with disabilities. This program is administered through the Rural Development field offices.

Mary (Ruth) Tackett, State Director presented the Partnership Award for 2004 to the **Tennessee Association of Utility Districts (TAUD)**. Accepting the award was Bill Dobbins, Executive Director and Ralph McCarter, President. The Partnership Award was presented in appreciation for partnering with Rural Development to make a difference in rural communities throughout Tennessee. TAUD is a great organization with dedicated board members and staff, and we are fortunate to have a partnership with them. In delivering our community programs, they play a vital role in assisting us and the utility districts in providing technical support.



"Clay County greatly appreciates the investment made by USDA Rural Development," stated Mayor Joe Dan Fox, City of Celina. "Our quality of life in Clay County depends on safe, reliable drinking water. Rural Development helped make these services possible."

"The relationship that the Town of Jonesborough has developed with Rural Development goes beyond sewer and water projects," stated Bob Browning, Town Administrator, Town of Jonesborough. "Due to our partnering with Rural Development, the quality of life in the Town of Jonesborough has been greatly enhanced."

"The First Utility District of Hardin County has been the beneficiary of several Rural Development loans and grants," stated John Thomas, President, First Utility District of Hardin County. "Because of these funds we have been able to bring water to customers that had none in the past. We have also added several fire hydrants to our community which has lowered insurance rates in some areas. This will mean added savings to our customers as well as increasing fire safety. New water storage tanks along with larger and improved water lines which will add pressure and maintain pressure where more homes are being built. Our treatment plant's clear wells were out in the open and exposed to the environment as well as open to anyone that might want to throw something in them. A new building has been constructed to protect this water supply. First Utility also rented office space for years, but now because of the assistance from Rural Development we own our own building. I could go on and on about what a difference Rural Development has made in the lives of so many people in Hardin County."

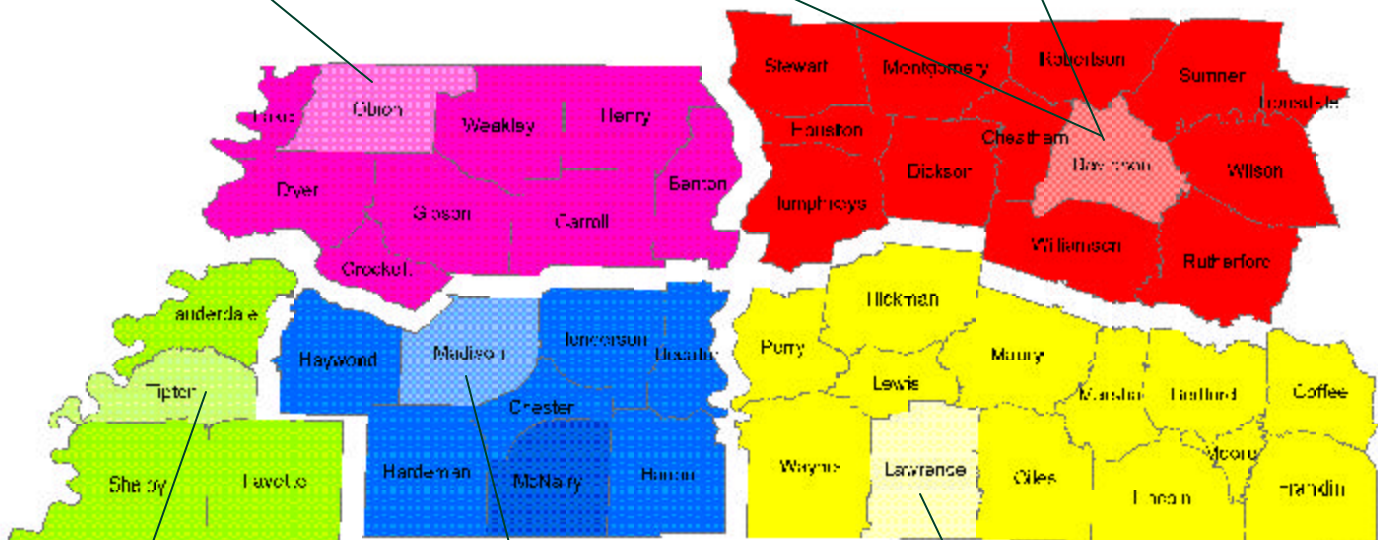


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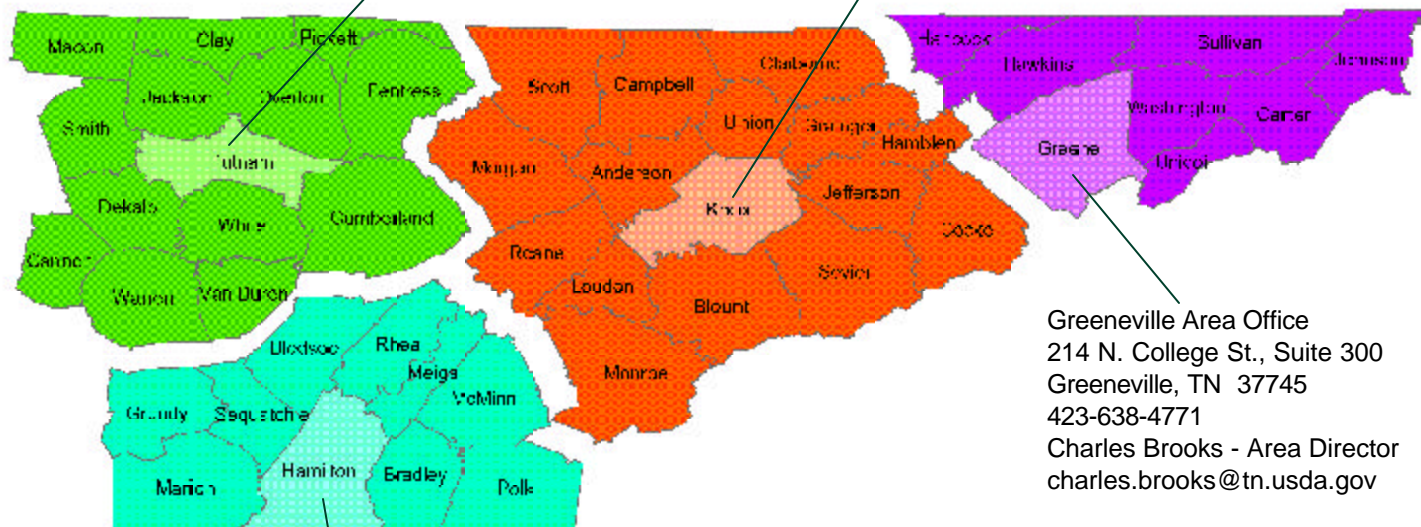
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RURAL DEVELOPMENT TEAM

Committed to the future of rural communities.



NOTES

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